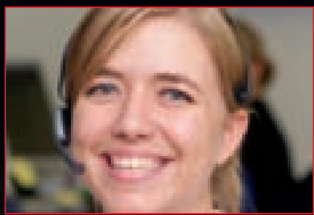
Accident Exchange Group Plc
Annual Report and Accounts 2006

accident exchange group plc


2006 Highlights

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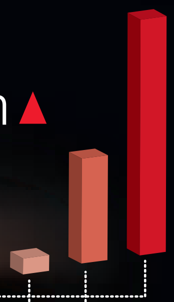
Financial Highlights

Turnover

£53.5m ▲
+147%

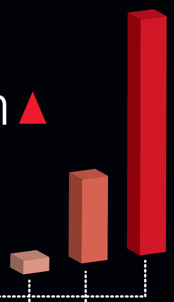


2006	**£53.5m**
2005	£21.7m
2004*	£4.1m

(Statutory 2004: £0.3m)

Profit Before Taxation

£17.9m ▲
+167%

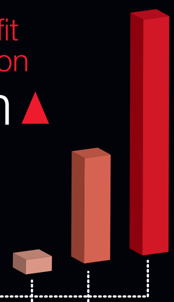


2006	**£17.9m**
2005	£6.7m
2004*	£1.1m

(Statutory 2004: £0.1m)

Adjusted Profit Before Taxation

£16.3m ▲
+120%

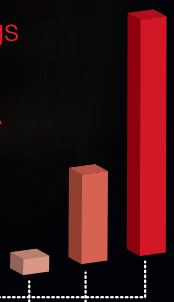


2006	**£16.3m**
2005	£7.4m
2004*	£1.1m

(Statutory 2004: £0.1m)

Basic Earnings Per Share

18.8p ▲
+161%

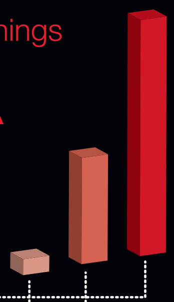


2006	**18.8p**
2005	7.2p
2004*	1.2p

(Statutory 2004: 0.8p)

Adjusted Earnings Per Share†

17.5p ▲
+111%

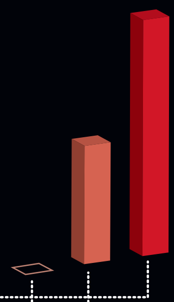


2006	**17.5p**
2005	8.3p
2004*	1.2p

(Statutory 2004: 1.4p)

Dividends Per Share

3.0p ▲
+100%



2006	**3.0p**
2005	1.5p
2004*	Nil

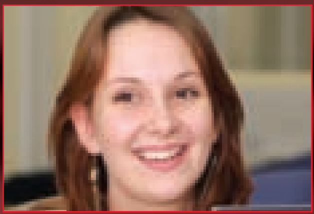
(Statutory 2004: Nil)

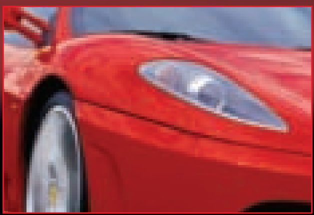
* Proforma results comprise Accident Exchange Group Plc for the period from 1 August 2003 to 30 April 2004 and Accident Exchange Limited for the year ended 30 April 2004

† Before amortisation of goodwill, share option charges and profit on disposal of property

Operational Highlights

- Results reflect another year of strong organic growth in turnover, profits and earnings per share
- Proposed final dividend up 100% to 2.0p, making 3.0p for the year (2005: 1.5p)
- Additional one-off profit from purchase, sale and leaseback of new HQ and distribution centre: £2.6m
- Strong growth in key business metrics:
  - Car fleet up from 961 to 2,767 as at 30 April 2006
  - Fleet utilisation across market segments ranged from 73% to 89% for the year
  - Referring dealer partners up to 566 as at 30 April 2006 (2005: 293)
  - Number of rental days up 151% to 404,000 (2005: 161,000)
  - Staff numbers up from 133 to 363 as at 30 April 2006
- Manufacturer sponsored relationship formed with Audi UK in June – a first for Accident Exchange
- Acquisition of DCML Limited ("DCML") for up to £12m, completed shortly after the year end
- Significant new referral relationship with European Motor Holdings plc





Accident Aftercare

It's no accident people use Accident Exchange

Accident Exchange operates a core business model which revolves around winning and then developing relationships with prestige franchise dealers, dealer groups and manufacturers. In turn, these referral sources introduce us to their customers who need a replacement vehicle because their own has been damaged in an accident for which someone else was to blame. We provide a high percentage of these referred customers with a hire car whilst their own car is not usable. Subsequently, the charges incurred are recovered from the insurer of the at fault party. The growth in our referral base and the increasing number of dealers, dealer groups and manufacturers we work with supports our increasing penetration in this area. The announcement of an exclusive relationship with Audi UK is a further example of how we have consolidated our position during the year and demonstrates our intention to continue to extend our proposition upstream.

We have also extended our range of products during the year. A key part of this extension is that we now offer accident management services to the customers of franchised dealers. We do this by building a dealer branded marketing campaign and then, on their behalf, enrol their customers into a programme which allows them to call a 24 by 7 call centre if they are unfortunate enough to be involved in an accident. This service has allowed us to increase the level of referrals we enjoy from participating dealers and has also strengthened the relationships we have with our dealers.

Over the past six months we have also extended our distribution channels to include the business user customers of contract hire and leasing companies. As well as extending our potential market, a by product of this initiative is that we have broadened the composition of the fleet to reflect the mix of vehicles leased by contract hire operators. This means that we now offer mainstream and light commercial vehicles to our customers as well as prestige cars and we expect this trend to continue.

An increasing part of our business is now being generated through our 'Aftercare' service where customers have 24 by 7 support and assistance through the Accident Management service provided by their dealer.

We also remain focused on the use of technology as the cornerstone of our strategic vision. Since its inception the Group has demonstrated that technology is a major contributor to our operational efficiency and financial success. It is not lost on us, however, that in 2005 (the last year for which statistics are available) the insurance industry incurred costs of some £370 million managing and resolving motor claims. In the medium term, we remain focused on the opportunity to use technology to deliver cost savings and efficiency gains to the UK Insurance Industry in the motor claims supply chain. The recent acquisition of DCML is the first step towards delivering against that strategy.

DCML provides a software platform which allows motor retailers to operate and control a fleet of their own courtesy cars using a web based application available to their vehicle servicing advisors. The software enables the dealer to charge a small fee for the use of those cars which includes the provision of insurance to their customer whilst the courtesy car is in use.

The operational benefits to dealers who use DCML are clear and the system also allows them to generate a revenue stream from the operation of that fleet.

DCML has over 1,000 contracted franchised dealers using their product at more than 1,200 geographic locations in the UK. The synergies between Accident Exchange and DCML give us the opportunity to market two differing services to those non-overlapping dealers and to create a more focused approach in servicing all 1,000 dealers.

They also have significant manufacturer relationships including Chrysler Jeep, Jaguar and BMW, enabling these manufacturers to manage and insure courtesy vehicles and to run demonstration and test programmes through their dealer network. In the forthcoming year, together with DCML, we plan to develop and market a series of innovative insurer based propositions which we believe will find support from our target market.

Chairman's Statement

I am delighted to report yet another year of significant growth in turnover, profit and earnings per share. These excellent results reflect Accident Exchange's strong and growing referral base coupled with a total commitment to providing excellent customer service.

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Results, finance and dividend

Turnover for the year to 30 April 2006 increased 147% to £53.5 million (2005: £21.7 million). The operating margin for the year (before amortisation of goodwill and provision for share option charges) was 34.0% (2005: 38.7%) reflecting an increased proportion of lower margin 'mainstream' credit hire and credit repair revenue when compared to last year. In addition, fleet utilisation reduced during the second half of the year as additional capacity was added to provide for expected future volumes and as we expanded our operational platform in our three distribution centres. We have addressed this issue and current fleet utilisation levels are improved across the majority of our fleet segments.

Profit before tax, including the £2.6 million (2005: nil) profit on the transaction relating to the sale and leaseback of our new HQ premises, was 167% higher at £17.9 million (2005: £6.7 million). Adjusted earnings per share (before goodwill amortisation, share option charges and the profit on the property disposal) increased 111% to 17.5p (2005: 8.3p) and basic earnings per share increased 161% to 18.8p (2005: 7.2p).

2006
Stepping up a gear

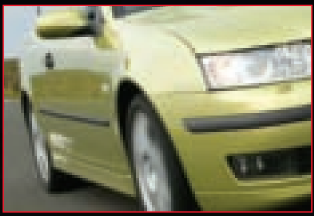
During the year, the rapid growth of the business required investment in both working capital and in the vehicle fleet. £7.7 million, net of expenses, was raised early in the financial year through a placing of new shares and, after the cash flows for the year, period end bank borrowing was £6.5 million (2005: £17,000). Total net debt at 30 April 2006 was £60.7 million (2005: £17.3 million) after the inception of £59.4 million (2005: £18.2 million) in hire purchase debt in relation to fleet expansion with the year end rental fleet totalling 2,217 vehicles, up from 870. £8.8 million was received during the year on fleet disposals with the sale prices achieved being in line with our accounting net book values.

A doubled final dividend of 2.0p per share (2005: 1.0p) is being recommended, making a total of 3.0p for the year (2005: 1.5p).

Strategy and business development

It is always pleasing to report such a healthy set of results but I am equally encouraged by the progress that has been made in developing and maturing the infrastructure of the Group over the two years since it was admitted to the Alternative Investment Market. Our progress has been both internal, the strengthening of your Board, the recruitment of key operational managers and the development of our existing people, as well as external, with the maturing and expanding relationships we have developed with our suppliers and partners.

Accident Exchange operates a core business model which revolves around winning and then developing relationships with prestige franchise dealers, dealer groups and manufacturers. In turn, these referral sources introduce us to their customers who need a replacement vehicle



Chairman's Statement continued

because their own has been damaged in an accident for which someone else was to blame. We provide a high percentage of these referred customers with a hire car whilst their own car is not usable. Subsequently, the charges incurred are recovered from the insurer of the at fault party. The growth in our referral base and the increasing number of dealers, dealer groups and manufacturers we work with supports our increasing penetration in this area. The announcement last week of an exclusive relationship with Audi UK is a further example of how we have consolidated our position during the year and demonstrates our intention to continue to extend our proposition upstream.

We have also extended our range of products during the year. A key part of this extension is that we now offer accident management services to the customers of franchised dealers. We do this by building a dealer branded marketing campaign and then, on their behalf, enrol their customers into a programme which allows them to call a 24 by 7 call centre if they are unfortunate enough to be involved in an accident. This service has allowed us to increase the level of referrals we enjoy from participating dealers and has also strengthened the relationships we have with our dealers.

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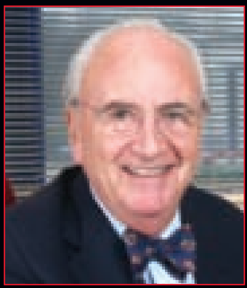
We also remain focused on the use of technology as the cornerstone of our strategic vision. Since its inception the Group has demonstrated that technology is a major contributor to our operational efficiency and financial success. It is not lost on us, however, that in 2005 (the last year for which statistics are available) the insurance industry incurred costs of some £370 million managing and resolving motor claims. In the medium term, we remain focused on the opportunity to use technology to deliver cost savings and efficiency gains to the UK Insurance Industry in the motor claims supply chain. The recent acquisition of DCML is the first step towards delivering against that strategy and this acquisition is discussed in more detail in the Chief Executive's Statement.

Proposed application to join The Official List

It has been clear to your Board that the next phase of our corporate evolution would involve a move to the Official List of the London Stock Exchange. I expect your Board will make a formal announcement about such a move in due course.



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Outlook

Accident Exchange has developed a strong momentum which is expected to be sustained in the coming year. We have an excellent pipeline of potential new referral agreements with leading motor dealerships and leasing and contract hire companies. We also expect to strengthen our relationships with car manufacturers and with insurance companies over the coming year. The Board is confident of achieving a further year of strong performance.

Non-Executive Chairman

I have decided that this is an appropriate time for me to retire both as Non-Executive Chairman and as a director of the Group at the conclusion of the forthcoming Annual General Meeting on 20 July. I am delighted to announce that, with the support of the entire Board, David Galloway will then assume the role of Non-Executive Chairman, having joined the Board nearly a year ago as Deputy Chairman. It has been a pleasure working with David over the last year. He has already made a considerable contribution to the performance and dynamic of your Board and it will be his privilege to lead the Group through its next phase of growth.

I first became the Chairman of a listed company in the late sixties and in the ensuing decades I have been privileged to chair many companies, large and small, listed and private. Never before have I encountered any company that grew with the rapidity and the sure fire certainty that your company has under the inspiration and guidance of Steve Evans in the less than five years since it was founded. I shall leave behind me a group with the management, staff and business concept able to propel it into the very first rank of businesses in the country. I shall continue to cheer from the sidelines as a shareholder.

The Rt Hon Lord Young of Graffham
Non-Executive Chairman

14 June 2006

Chief Executive's Statement

It is no accident that Accident Exchange has performed so well in the last year. We have remained focused on executing against our core strategy whilst working hard at building incremental distribution opportunities which will form part of our future growth platform.

Focus on delivering growth

As the Chairman has reported, we have delivered another year of superb growth in revenue and profit. It is no accident that Accident Exchange has performed so well in the last year. We have remained focused on executing against our core strategy whilst working hard at building incremental distribution opportunities which will form part of our future growth platform.

As at 30 April 2006 we had 566 referring motor dealers. I am pleased to announce today that we have entered into a two year agreement with European Motor Holdings plc which extends to all of their 47 dealerships and which represents franchises for Audi, Bentley, BMW, Jaguar, Land Rover, Mini, Volvo and Volkswagen. With this relationship and with the new potential from the relationship with Audi UK that we announced last week, we start this year with a very strong dealer referral base. Whilst we continue to negotiate other potential dealer contract wins, our referral base is also augmented by the new relationships we enjoy with the several contract hire and leasing companies referred to later in this report.

Growing pains

Some of the challenges we faced during the year were considerable. For example, our rapid rate of expansion coupled with an absolute shortage of suitable head office space locally forced us to split three functional parts of our operation into nine separate locations, all within a mile of each other. In an organisation that prides itself on speed and quality of service and the intimacy of our customer relations, the property situation made parts of the business process more difficult to manage and, for short periods, stretched some of our IT infrastructure. I believe that the acquisition of our new head office and distribution centre at the end of April 2006 will enable us to win back some of the operational efficiencies lost during the year.

As always, growth was a key part of our strategy over the last twelve months and will continue to be the defining theme of our plans for the coming year. Whilst rapid growth is exciting, I have to accept that we experienced some growing pains during the year. Aside from the property headache that we faced, we also saw significant growth in our head count, needed to mature our systems, training and business processes and to extend our distribution network from two to three locations. At the same time we had extended our customer referral sources to include contract hire and leasing companies; this meant we had to extend our range of vehicles in the fleet and then balance that fleet across our three distribution centres.

On the positive side, growth has also necessitated that we focus on the search for commercial efficiencies and economies of scale. I am pleased to report, therefore, that we have also made significant progress in reducing a variety of our key costs – including those associated with recruitment, financing and insurance – all of which will contribute to our continued focus on improving margin. As ever, our team of people responded magnificently to the challenges we faced and I thank them for their effort and hard work.

Developing the organisation

We have always recruited and trained people and built capacity ahead of the revenue growth curve. Our staff headcount at 30 April 2006 was 363 (up from 133 a year earlier) and my operational leadership team now consists of 15 executives. Our total headcount already exceeds 400 as of today, reflecting the delivery resource requirements of our head office and satellite distribution centres, our continuing expansion of the sales and support team and the acquisition of DCML.

Our capacity to recruit and develop people against a functional and cultural profile and then to train and integrate them into the business is fundamental to our continued success. During the year we drew together a recruitment, induction, learning and development team who recruited and trained over 200 people during the period, as well as enabling us to build personal development plans for our existing employees.

As the business has continued to grow we have focused on recruiting and developing capable line managers. This process is almost continual 'work in progress' as people mature into new roles. Given the increase in the size of the Group's operations and our continuing growth aspirations, we have decided to commence a search for a suitable candidate to fill a new role of Chief Operating Officer to help strengthen further the senior management team.

The move into our new HQ building, known internally as 'Alpha 1', will benefit the enlarged team. Alpha 1 became operational for our fleet and logistics team in early June and will be fully fitted and operational for all other functions by mid September 2006. Alpha 1 is a simple industrial warehouse building which comprises approximately 220,000 square feet of warehouse space. It will be fitted internally with an incremental 70,000 square feet of office accommodation occupying three floors so that we will retain nearly 200,000 square feet of available warehouse space. This has been zoned into 30 vehicle preparation bays, a vehicle reception area for the receipt and preparation of new vehicle deliveries before they join the fleet, a "SMART" repair area for vehicles which suffer minor damage whilst on hire, a vehicle disposal area for the preparation of vehicles to be sold or returned at the end of their life and an area for vehicle storage and parking.

Operational performance

During the year, our fleet changed in both its size and composition. At the end of the period our total fleet size was 2,767 vehicles of which 2,217 were revenue generating for our credit hire business for non-fault accidents. 291 vehicles were used as courtesy vehicles for supporting members of our Accident Management scheme who had been involved in accidents for which they were at fault and the balance comprised staff vehicles and vehicles in the process of disposal.

The ABI General Terms of Agreement (GTA) provides the framework around which we submit credit hire claims to the insurance industry for payment. In April 2006 revised GTA rates were agreed with insurers for the period to July 2007. In prior years the outcome of the GTA rate review was easy to implement internally because we had a narrower range of vehicles and fewer applicable tariffs than exist today. Because of our broader customer referral base our total year end fleet comprised 2,339 prestige vehicles and 428 mainstream vehicles, the latter including light commercial vehicles and a small number of motorbikes.

This changing mix of vehicles within our fleet is now "rated" across the revised standard set of vehicle groupings that arose from the last rate review. In order to remain compliant with the GTA, as well as accepting the new rates from 1 April 2006 we have adopted the new GTA defined vehicle groupings and have at the same time also simplified the documentation that we now submit to insurers for payment.

Our motor vehicle groups are now segmented into mainstream, 4x4, people carrier, prestige saloon, prestige sports, luxury, vans and commercial vehicle categories and our fleet is now spread across our three operational depots in Glasgow, Warrington and Coleshill. We eased our utilisation target during the year as we balanced the mix of the enlarged fleet with demand across those three locations;

Chief Executive's Statement
continued

utilisation rates over the period and across these categories ranged from 73% to 89% with the majority of our groups having utilisation levels well within our revised target range of 75% to 85%. As a result principally of the change in rental day mix and fleet utilisation, gross margin of 53.7% was reported for 2006 (2005: 59.1%).

Rental days for the year rose 151% from 161,000 rentable days to 404,000. The proportion of rentable days represented by mainstream and commercial vehicles (which have lower revenue per day) grew from 14% in 2005 to 22% in 2006. This change in rental mix was a result of a planned increase in the volume of business generated by contract hire and leasing companies and the mainstream dealerships of those dealer groups with whom we are now contracted.

Business development

We remain focused on our core market. Many of our dealer relationships are contracted and I am pleased to report that many of the new agreements we enter, and most of the renewals we have secured, are now for periods of two years. This reflects customer appreciation of the service levels we provide. As well as the new two year agreement with European Motor Holdings plc referred to earlier, in the last month we have also extended our agreement with Inchcape Motors Retail Ltd in respect of their Lexus, Toyota and BMW dealerships. We have also extended the length of our current relationships with a number of our dealers throughout the year and 71% of our relationships are now contracted.

We now provide an Accident Management service on behalf of 325 of our dealership partners. Accident Management is an increasing part of our service offering and it delivers protection to the dealers' clients 24 hours a day, 365 days a year. The service requires us to manage a range of motoring incidents and accidents on behalf of the dealer but it generates a volume of referral business which I am sure would be lost elsewhere if it were not for the service we provide.

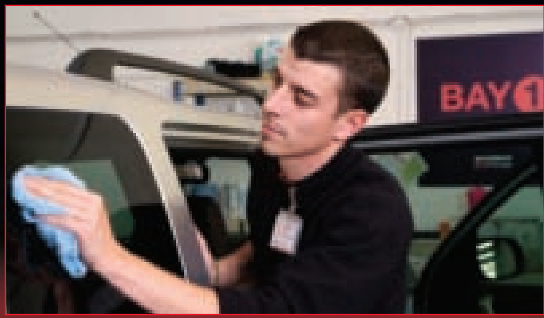
We also have strong relationships with a number of vehicle manufacturers who recognise the quality and values that we encapsulate in our customer facing services. Our relationship with BMW continues to become stronger. Between October 2005 and April 2006 we doubled the volume of hire days as a result of referrals generated from BMW dealers. Naturally, I am delighted that we have now secured an exclusive agreement with Audi UK to provide credit hire and accident management services throughout their entire dealer network because we have similar growth aspirations in the coming year for business generated from Audi dealers.

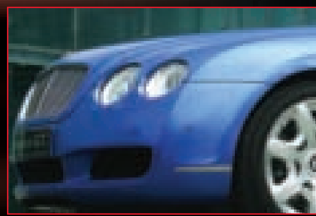
We now provide accident management or credit hire services to a growing number of contract hire and leasing companies. These include Bramall & Jones Leasing Limited, Inchcape Fleet Solutions Limited, Marshall Leasing Limited, Toomey Eurolease Limited, all of whom were announced recently as being new referrers for the Group. Our pipeline of business in this sector is strong and we continue to negotiate contracts with a number of other partners and expect to announce details of further account wins in the coming months.

I am confident that we will continue to develop our relationships in all areas.

Acquisition of DCML

Just after the end of the financial year we acquired DCML for a maximum consideration of £12 million. DCML provides a software platform which allows motor retailers to operate and control a fleet of their own courtesy cars using a web based





application available to their vehicle servicing advisors. The software enables the dealer to charge a small fee for the use of those cars which includes the provision of insurance to their customer whilst the courtesy car is in use. The operational benefits to dealers who use DCML are clear and the system also allows them to generate a revenue stream from the operation of that fleet.

DCML has over 1,000 contracted franchised dealers using their product at more than 1,200 geographic locations in the UK. The synergies between Accident Exchange and DCML give us the opportunity to market two differing services to those non-overlapping dealers and to create a more focused approach in servicing all 1,000 dealers.

DCML also has significant manufacturer relationships including Chrysler Jeep, Jaguar and BMW, enabling these manufacturers to manage and insure courtesy vehicles and to run demonstration and test programmes through their dealer network. I am pleased to be able to announce that just a month after we acquired DCML, it has been informed that it has been successful in winning a tender process to provide a web based software application and insurance facility to enable a leading prestige vehicle manufacturer to operate a rental and courtesy car programme for all of their UK dealers. This is a tremendous win for the business and bodes well for the future. We will announce further details of this development in the near future.

In the forthcoming year, together with DCML, we plan to develop and market a series of innovative insurer based propositions which we believe will find support from our target market.

Market developments

Since the introduction of the ABI GTA there has been a gradual but clear improvement in the relationship between insurers and credit hire operators. Our strategy has always been supported by using technology and efficient business process to help reduce cost from the motor claims supply chain. It is my belief that we are approaching a 'tipping point'. There is an increasing need on the part of insurers to explore and embrace a cost efficient 'process centric' approach to supplying a mobility solution to their policy holders in a cost contained environment. For some time we have been exploring the most efficient way of reacting to this opportunity and we expect to announce initiatives in this area shortly.

Moving forward

In our determination to sustain our rate of growth, I am supported by a committed and industrious team. During the period a further review of the sales and development process within the business was undertaken. The results from this review, together with actions implemented over the past 18 months, have enabled us to grow revenue by over £30 million in the period. Our aspirations remain high and our competitive advantage is based heavily on the skills and approach of our people and the value they deliver to the business by working effectively and innovatively in partnership with our referral customers. To that end we have now implemented a refined approach to how we win, retain, develop and renew our account relationships, based on the quality and strength of our services and the effectiveness of our people in identifying incremental revenue opportunities.

We will continue to pay the greatest attention to detail in our business and will continue to develop our core product offering and to differentiate it from that of our competitors. We will remain focused on market changes and will continue to evaluate and enter related markets where we believe we can create an innovative proposition based on our core competencies. In the coming year revenue growth and focus on margin will be priorities and I remain confident of the long term prospects for the business.

I would like to thank everyone within Accident Exchange for their hard work in delivering such outstanding results over the past year. We have a strong team spirit and I am confident that our commitment to excellence of service will enable us to continue to forge ahead. Finally, I would like to express my personal thanks to Lord Young for his support, encouragement and advice over the past five years.

Steve Evans
Chief Executive

14 June 2006

Finance Director's Statement

It is a privilege to be writing my second report as Finance Director on the Group's second full year of trading since joining AIM in April 2004. These results make it clear that our business model is capable of generating significant growth and profit as we execute against our strategy of delivering accident management and other solutions to the automotive and insurance related sectors.

Introduction

It is a privilege to be writing my second report as Finance Director on the Group's second full year of trading since joining AIM in April 2004. These results make it clear that our business model is capable of generating significant growth and profit as we execute against our strategy of delivering accident management and other solutions to the automotive and insurance related sectors.

Financial Results Overview

Revenue in the year ended 30 April 2006 of £53.5 million (2005: £21.7 million) reflects growth of 147% from 2005. Headcount grew by 230 people from 133 to 363 as at 30 April 2006 and the revenue generating fleet grew from 870 vehicles (which reflected 91% of the total fleet of 961 vehicles) to 2,217 vehicles by the end of the year (now reflecting 80% of the total fleet of 2,767 vehicles).

Gross margin reflected the changes in fleet mix and the utilisation rates attained in the period, as detailed in the Chief Executive's Statement. Operating profit of £17.2 million rose 123% from £7.7 million last year and was augmented by the £2.6 million profit reported on the purchase and subsequent sale and leaseback of our new headquarters building, Alpha 1, giving rise to profit before taxation of £17.9 million from £6.7 million last year.

We were delighted at being able to effect the purchase and coterminous sale and leaseback of Alpha 1 within what was a very short time frame and to do so at such a material profit. The lease terms that we have going forward are extremely competitive at less than £5.50 per square foot.

Profit before taxation is stated after share option charges of £290,000 (2005: £10,000) and goodwill amortisation of £656,000 (2005: £656,000). Adjusted profit before taxation, goodwill, share option charges and the profit on the disposal of Alpha 1 ("Adjusted PBT") was £16.2 million (2005: £7.4 million) a rise of 120%.

Earnings per share

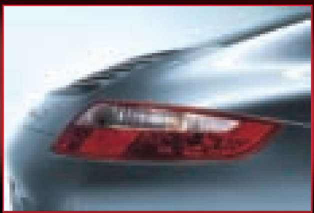
Earnings per share rose 161% to 18.8p (2005: 7.2p) and earnings per share before goodwill, share option charges and the profit on the disposal of Alpha 1 ("Adjusted EPS") rose 111% to 17.5p (2005: 8.3p).

Balance Sheet and Financing

During the year we raised net proceeds of £7.7 million (after expenses of £0.3 million) via a placing of 3,478,261 new ordinary shares at £2.30 per share. These funds were raised to finance working capital requirements and to strengthen the balance sheet.

We ended the year with a bank overdraft of £6.5 million (2005: overdraft of £17,000) being just 16.5% of trade debtors, the primary asset on which bank facilities are secured. Total net debt at 30 April 2006 was £60.7 million (2005: £17.3 million) reflecting the hire purchase arrangements used to finance the purchase of vehicles and which totalled £54.2 million at the year end (2005: £17.3 million). 2,303 cars were added to the financed fleet at a cost of £51.0 million in the year. £8.8 million was received on the disposal of 550 vehicles in the year and these proceeds were used to repay the associated hire purchase debt attached to the vehicle. Together with the normal monthly capital repayment for each vehicle, a total of £22.5 million of hire purchase debt was repaid in the period (2005: £5.2 million). The sales proceeds received on the vehicle disposals matched the accounting net book value of those vehicles and hence we attained our targeted break even position with a nominal £1,000 profit on disposal of vehicles reported for the entire period.

Year end gearing, reflecting the hire purchase debt, was therefore 163% (2005: 93%). As part of the arrangements of the sale of Alpha 1, £3.1 million of the consideration receivable by us was held in an escrow account on our behalf as at 30 April 2006 and was received in cash in May. Consequently the gearing ratios, net



Finance Director's Statement continued

debt and cash balances reported in these financial statements are stated before the receipt of this £3.1 million which is included in debtors as at 30 April 2006.

Net cash inflow from operating activities of £6.7 million was generated (2005: £5.6 million) after the consumption of £19.0 million of working capital commensurate with our revenue growth and business model. £3.2 million of this working capital consumption was as a result of an increased focus on credit repair business in the year, whereby we finance the repair costs of the vehicle involved in the accident (and pay the body shop promptly for effecting the repair) ahead of receipt of the claim proceeds from the insurer.

Dividends

A year end dividend of 2.0p per share (2005: 1.0p) has been proposed today making a total of 3.0p for the year (2005: 1.5p). Dividends approved after the balance sheet date are no longer deducted from shareholders' funds as at the balance sheet date, and therefore the dividend shown on the face of the P&L account reflects the dividends paid in the year. The final dividend is subject to approval at the AGM of the company on 20 July 2006.

Acquisition of DCML

The activities of DCML, and the rationale for its acquisition, are summarised in the Chief Executive's Report. In the year ended 30 June 2005 DCML's turnover was £2.3 million, profit before taxation was £715,000 and net assets were £711,000. DCML operates from long leasehold premises in Stockport, Cheshire and employs 27 people.

The total consideration for the acquisition is made up of initial consideration of £8 million and deferred consideration of up to £4 million. The initial consideration has been satisfied as to £5 million in cash (which we have raised by entering into a 6 year term loan) and £3 million by the issue of 721,587 new ordinary shares direct to the vendors of DCML at a price of 415.75p per share (being the average of the mid market price for the five previous days prior to the making of this announcement). The deferred consideration is payable dependent on DCML attaining certain financial targets for the period from 1 May 2006 to 31 December 2006 and is payable in shares or loan notes at our option. The shareholders of DCML have entered into a nine month lock in on the initial consideration shares (to be waived at any time at our discretion and in any event should the share price exceed £5) and to orderly market undertakings for a further six months in respect of both the initial and deferred consideration shares should the deferred consideration be satisfied by shares.

The acquisition was conditional on the admission of the new ordinary shares to trading on the Alternative Investment Market and this took place on Friday 5 May 2006. Consequently the acquisition is reported as a post balance sheet event in these financial statements.

Earnings per share rose 161% to 18.8p (2005: 7.2p) and earnings per share before goodwill, share option charges and the profit on the disposal of Alpha 1 ("Adjusted EPS") rose 111% to 17.5p (2005: 8.3p).

Share Capital

As at 30 April 2006 we had 65,226,480 ordinary shares of 5p in issue. Following the issue of the 721,587 acquisition shares referred to above we currently have 65,948,067 ordinary shares in issue.

We also have in issue 12,514,000 Deferred Shares which arose as a result of a share reorganisation at the time of the acquisition of Accident Exchange Limited in April 2004. These shares are not quoted on AIM, do not carry any rights to attend or vote at a general meeting of the company nor do they carry any right to receive a dividend. As noted in the AIM admission document issued in April 2004 to, *inter alia*, approve the acquisition of Accident Exchange Limited the Deferred Shares are effectively worthless. In order to simplify the share structure of the company it is the intention of the company to purchase the deferred Shares for an aggregate consideration of £1, as provided for in the articles of association of the company, such that the company will have only Ordinary shares in issue. This requires the approval of shareholders and hence an appropriate resolution will be included for consideration at the AGM on 20 July 2006.

Implementation of International Financial Reporting Standards ("IFRS")

As an AIM listed company we do not have to adopt IFRS until our year ending 30 April 2008. However we have progressed a project to consider the ramifications of IFRS and can announce that we will be adopting IFRS in our financial statements for the year ending 30 April 2007.

Summary

2006 has been a further year of continued significant growth. We have absorbed the normal growing pains one would expect in a business that has grown so rapidly and we remain confident that our business model will allow further penetration of our chosen markets.

MJ Andrews

Martin Andrews
Group Finance Director

14 June 2006

accident exchange group plc

Directors Biographies

From Strength to Strength

1. Lord Young of Graffham
(Non-Executive Chairman) aged 74

The Rt. Hon Lord Young of Graffham is a qualified solicitor and serial entrepreneur who served in the Thatcher government for ten years as Secretary of State for Trade and Industry. On retiring from the Cabinet he became Executive Chairman of Cable and Wireless plc, President of the Institute of Directors, and is today Chairman and major shareholder of Young Associates Limited, a private equity house specialising in technology companies. He is also Chairman of Pixology PLC, an AIM listed technology company which was floated in December 2003.

2. Stephen Evans
(Chief Executive) aged 47

Steve Evans is the founder and Chief Executive of Accident Exchange Group plc. He was formerly Chief Executive of Accident Assistance Limited and is an entrepreneur with a proven start up track record. Accident Assistance Limited, which specialised in handling insurance claims on behalf of the victims of road traffic accidents, was sold in 1997. He is also former Group Marketing Director of the United Kenning Rental Group. Steve has 21 years' commercial experience in developing fast growth entrepreneurial businesses with a key focus on technology, automotive, claim handling and customer service delivery. In 2003 Steve was listed in the AM Power List as one of the hundred people that Automotive Management believed would drive change in the automotive industry.

In July your Board was strengthened with the appointment of David Galloway and Graham Stanley as Non-Executive Directors. Both of these members bring a wealth of knowledge and experience to the Board

3. Martin John Andrews

(Group Finance Director) aged 42

Martin, an experienced and commercial PLC finance director, joined Accident Exchange from Diagonal Plc, where he was instrumental in its successful acquisition by Morse in August 2004. Prior to this Martin was finance director of Protagona Plc, a fully listed international CRM software company, where he helped the company grow substantially in revenue terms. Prior to that he was with County NatWest Corporate Finance and Price Waterhouse.

4. David Allistair Galloway

(Non-Executive Deputy Chairman) aged 60

David Allistair Galloway FCA, aged 60, has 30 years experience in the automotive and support services sectors. He was Managing Director of Lex Vehicle Leasing Ltd and Lex Industrial Services, and a Director of RAC plc. He is currently a Non-Executive Director of Speedy Hire plc, Carter & Carter Group plc and May Gurney Integrated Services plc. He Chairs the Remuneration Committee.

5. David John Lees

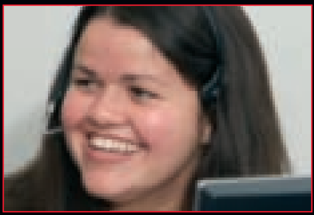
(Non-Executive Director) aged 58

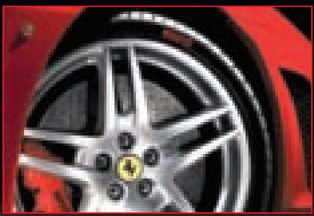
David is a Chartered Accountant qualified in Australia with KPMG. He has extensive experience in the management and promotion of public companies having raised significant funds as a co-founder of Griffiths Brothers Limited, Medeva Plc, Flare Group Plc and Skyepharma Plc. He is currently chairman of Deal Group Media Plc, Metis Biotechnologies Plc, Network Estates Limited and NamesCo Limited as well as being finance director of Triple Plate Junction Plc.

6. Graham Kemble Stanley

(Non-Executive Director) aged 55

Graham spent nearly 33 years working in the asset finance arm of HBOS plc. The last 19 years were devoted to heading a team specifically focussed upon developing special wholesale funding packages and products for use by large vehicle fleet operators in the corporate, contract hire, daily rental, credit hire, car manufacturer and major dealer group sectors. Until recently he was a Director of Bank of Scotland Vehicle Finance with experience of financing around 120,000 vehicles per annum. He is now a consultant to several companies and specialises in vehicle fleet funding and leasing.





Group Advisors

Company Registration Number:
4360804

Registered office:
Unit 1 Roman Park
Off Roman Way
Coleshill
Birmingham
B46 1HG

Directors:
The Right Honourable Lord Young of Graffham (Non-Executive Chairman)
S A Evans (Chief Executive Officer)
M J Andrews, ACA (Group Finance Director)
D A Galloway (Non-Executive Deputy Chairman) (Appointed 21 July 2005)
D J Lees (Non-Executive)
G Stanley (Non-Executive) (Appointed 21 July 2005)
F E Worsley (Resigned 3 October 2005)

Secretary:
N Pickering

Nominated Advisor and Broker:
Numis Securities Limited
Cheapside House
138 Cheapside
London
EC2V 6LH

Registrars:
Capita Registrars
The Registry
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Beckenham
Kent
BR3 4TU

Auditors:
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Chartered Accountants
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Birmingham
B3 2DT

Bankers:
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5th Floor
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Solicitors:
DLA Piper Rudnick Gray Cary UK LLP
Victoria Square House
Victoria Square
Birmingham
B2 4DL

Financial PR:
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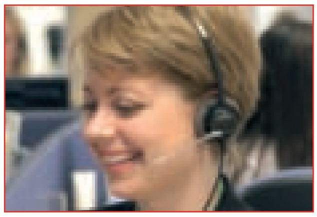
1 Fredericks Place
London
EC2R 8AE



Financial Statements

For the year ended 30 April 2006

Contents

accident exchange group plc

Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 30 April 2006.

Principal activity and business review

The principal activities of the Group are delivering accident management and other solutions to automotive and insurance related sectors. Revenue is derived principally from the provision of "non-fault" accident management assistance and related services and particularly from the credit hire of replacement prestige vehicles, thereby keeping the "non-fault" party of a road traffic accident mobile. A detailed review of the business is given in the Business Review on page 23.

Results

The results for the year are set out on page 32 and the movement on reserves are shown in note 18 to these financial statements.

Dividends

The Directors are recommending the payment of a final dividend of 2.0p per share (2005: 1.0p), making a total for the year of 3.0p per share (2005: 1.5p). If approved at the AGM on 20 July 2006 the year end dividend will be paid on 21 July 2006 to shareholders on the register on 23 June 2006. The shares will go "ex div" on 21 June 2006.

Share Capital and Placing

On 10 June 2005 the Company announced the conditional placing of 3,478,261 new ordinary shares at a price of 230p per share. After expenses this raised approximately £7.7 million in cash for the Company, which was used to finance working capital requirements, strengthen the balance sheet and facilitate the Board to focus on growth opportunities in the credit hire prestige vehicle market resultant from dealer referral wins and the commencement of penetration into the mainstream vehicle credit hire market place.

Directors

The Directors who held office during the year are shown on page 18. Their interests in the ordinary shares of the Company as at 30 April 2006 and 30 April 2005 (or date of appointment if later) were as shown below. There have been no movements in Directors' interests between 30 April 2006 and the date of this report.

Frances Worsley resigned from the Board on 3 October 2005. At 30 April 2006 F E Worsley held 100,000 ordinary shares representing 0.2% of the issued ordinary share capital. The directors are appreciative of the contribution made by him to the transformation of the group in the early stages of its growth and to the compliance aspects commensurate with our status as an AIM listed company.

David Galloway and Graham Stanley, having been elected by the Board in the year, are required to offer themselves for election at the forthcoming AGM. Martin Andrews and David Lees both retire by rotation and offer themselves for re-election at the AGM.

Directors' and other substantial shareholdings

	%	**30 April 2006**	30 April 2005
Directors			
S A Evans	48.01	**31,661,571**	31,661,571
The Rt Hon. Lord Young of Graffham	4.06	**2,674,211**	2,674,211
D J Lees	1.55	**1,020,626**	998,068
M J Andrews	0.03	**17,391**	–
D Galloway	0.02	**10,000**	–
Others			
Aegon UK plc	5.97	**3,934,496**	–
R H Seel	5.67	**3,736,757**	5,117,950
M S Bramwell	6.62	**4,367,236**	5,322,950
G R Beacroft	5.00	**3,300,000**	5,105,950

Apart from Martin Andrews purchasing his shares in the Company as part of the placing referred to above and the purchase by the group of a motor vehicle and the disposal of five motor vehicles to a motor dealership of which David Galloway is a director (as specified in note 27) no Director had a material interest in any contract of any significance to which the Company or any subsidiary was a party during the financial year.

Directors' and officers' insurance

The Company maintains insurance cover for all Directors and officers of company against liabilities which may be incurred by them whilst acting in those capacities.

Substantial shareholdings

Interests in excess of 3% and the interests of directors in the issued ordinary share capital of which the Company is aware, or which have been notified to the Company or are identifiable from the share register as at 9 June 2006 (being the most practical recent date prior to the date of printing this report), were as shown on page 20.

The Rt. Hon. Lord Young of Graffham gifted, on 29 March 2005, 50,000 ordinary shares of 5.0p each to a charitable trust. He is a trustee of the trust but does not have a beneficial ownership in these shares. M J Andrews has an interest in an LTIP option over 100,000 shares details of which are given on page 28. D J Lees owns 1,091,250 deferred shares of 5p (2005: 1,091,250). Please refer to the Finance Director's Report regarding the Company's intention to cancel the Deferred Shares.

Share Option Schemes

To complement the existing Accident Exchange Group Plc Unapproved Share Option Plan (2004) (the "Unapproved Scheme") the Group introduced two new share option schemes during 2005, namely the Accident Exchange Group Plc Directors and Senior Executives Long Term Incentive Plan (the "LTIP") and the Accident Exchange Group Plc Approved Company Share Option Plan (2005) (the "Approved Scheme").

The performance conditions attaching to these options are as follows:

For the LTIP options granted on 29 March 2005 one sixth of the underlying shares comprising the option have now vested as adjusted eps (defined as before goodwill, cost of employee share schemes and profit on property disposal) for the year ended 30 April 2005 exceeded 8.0p. A further one half of the underlying shares comprising the options have vested as adjusted eps for the year ended 30 April 2006 exceeded 19p. Half of the remaining one third of the underlying options will vest if adjusted eps for the year ending 30 April 2007 exceeds 27p, with the remaining half vesting on a straight line basis dependent on adjusted eps being between 27p and 37p.

For all of the options granted on 29 April 2005 and 22 July 2005 one third of the underlying shares are now linked to adjusted eps targets for each of the three years ending 30 April 2008. In each case 50% of the underlying shares comprising the option vest if the lower end of the

Details of the options existing under all three schemes as at 30 April 2006, and the movement in the year, are as follows:

Option scheme and grant date	**Exercise period**	**Exercise price (p)**	As at 30 April 2005	**Granted**	**Lapsed**	**As at 30 April 2006**
LTIP						
29 March 2005	29 March 2008 - 28 March 2015	nil	138,998	–	(5,813)	**133,185**
22 July 2005	23 July 2008 - 22 July 2015	nil	–	17,250	(2,250)	**15,000**
Approved Scheme						
29 April 2005	29 April 2008 - 28 April 2015	252.5	47,270	–	(11,881)	**35,389**
22 July 2005	22 July 2008 - 21 July 2015	300.0	–	639,113	(30,600)	**608,513**
Unapproved Scheme						
29 April 2005	29 April 2008 - 28 April 2015	252.5	11,593	–	(5,560)	**6,033**
22 July 2005	22 July 2008 - 21 July 2015	300.0	–	42,637	–	**42,637**
			197,861	699,000	(56,104)	**840,757**

Directors Report continued

relevant eps target is attained with the remaining 50% vesting on a straight line basis if the higher end of the adjusted eps target is attained. The range of eps targets for the three years was 15p to 22p for the year ended 30 April 2006 and is 27p to 37p and 37p to 45p respectively for the two years ending 30 April 2008. The small number of shares granted to employees under the Approved and Unapproved Schemes on 29 April 2005 have had their performance targets brought in line with the eps targets described above so as to be consistent with those targets contained within the LTIP scheme.

Based on the outcome for the year ended 30 April 2006, 88% of the first one third of the underlying shares have vested as adjusted eps for option purposes was 20.3p. The remaining 12% of this one third of the underlying shares comprising the option are still capable of vesting dependent on attainment of the performance conditions for the two years ending 30 April 2008.

Payment to suppliers

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to those agreed terms and conditions, provided that the supplier meets their obligations. Other than this the Group does not have a standard or a code which deals specifically with the payment of suppliers.

Trade creditors at the year end amount to 53 days (2005: 58 days) of average supplies for the period.

Employment Policies

It is the Group's policy to consider all applicants for employment on the basis of their qualifications and experience for the specific job without regard to race, colour, religion, sex, age, disabilities or national origin.

Donations

The Group made no political or charitable donations in the year.

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

As far as the directors are aware there is no relevant information of which the company's auditors are unaware and the directors have taken all necessary steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

PriceWaterhouseCoopers LLP were appointed auditors of the Company during the period and offer themselves for reappointment as auditors at the AGM in accordance with section 385 of the Companies Act 1985.

AGM

Notice of the forthcoming AGM on 20 July 2006 is given at the end of these financial statements.

On behalf of the Board

Stephen Evans

Steve Evans
Director

14 June 2006

Business Review

This report should be read in conjunction with the Chairman's Statement, the Chief Executive's Statement and the Finance Director's Statement.

Nature, objectives and strategy of the business

Since the acquisition of Accident Exchange Limited in April 2004 the Group's primary day to day operation has been the rent (on credit) of "like for like" prestige vehicles to the non fault parties of motor vehicle accidents. The non fault party is entitled to recover the costs of maintaining mobility from the insurer of the fault party to the accident and we perform this task on their behalf thereby recovering our rental charge.

Primary relationships have been with automotive dealerships for prestige vehicles

Our primary source of the referrals has been from the automotive dealership sector. We believe that, particularly within the prestige vehicle sector, owners of vehicles involved in accidents will in the first instance contact their local or purchasing dealership for assistance following an accident because they associate the dealer as having the required expertise to adequately repair their vehicle.

We pay dealers commission based on the revenue derived from the referrals we receive from them and where we have placed a vehicle on rent because we believe we can prove the non fault status of the accident. In addition to commission we will also purchase vehicles from the dealer, linked to their referral volumes and our growth expectations.

Our standards of service are extremely high, facilitated, we believe, by the investment made within the Group in our technology. If we receive notification of a non fault accident and the non fault party vehicle is not legally safe to drive for example, our internal systems should enable us to deliver a car of equivalent brand and model within hours. The vast majority of our cars are less than two years old and are valeted before the personal delivery by our team of experienced drivers direct to the location of choice of the non fault party.

Our referrers therefore benefit not only from these two income streams but also from the enhanced customer loyalty derived from the provision of a high quality and efficient service offering delivered by us, but effectively in the eyes of the non fault party, provided by the dealer. The dealer is therefore well positioned to reap the rewards of this quality service over the long term as the enhanced customer loyalty is reflected in repeat purchase and service revenues when he renews or services his vehicle.

Moving into mainstream vehicles as referrer profile changes and expands

We have recently expanded this service to the provision of mainstream vehicles as we responded to requests from our dealer partners to extend our service to their non prestige dealerships. Our service standards for the mainstream fleet are equivalent to those of our prestige fleet. We have also moved into mainstream vehicles as a result of new relationships this year with a number of contract hire and leasing companies who will have substantial fleet volumes under their management.

Extending solution to provide a generic accident management service

Automotive dealers are increasingly recognising the benefits of customer satisfaction associated with assisting their customers when they have had an accident. Over the last year, in conjunction with our dealer partners, we have proactively contacted customers on the dealers' behalf, sending them details of an accident management service. We provide them with a contact card containing details that they can use to call for assistance if they are unfortunate enough to be involved in an accident. This service provides assistance regardless of whether the customer was responsible for the accident. In those circumstances where the customer was at fault the vehicle will still be recovered to the dealership for repair and a courtesy car will be provided for the first 48 hours after the accident whilst the fault customer sources a longer term solution to maintaining mobility. The dealer benefits from enhanced customer loyalty provided to a wider proportion of their customer base and we benefit from a higher proportion of their customers contacting us as their first port of call, thereby increasing the number of non fault parties to whom we can offer the like for like replacement service for the duration of the repair period.

Enhanced customer loyalty driving manufacturer interest in sponsoring our service offering to their dealer base

During the year we have focused on developing relationships at manufacturer level and have just launched our first manufacturer sponsored accident management service in conjunction with Audi UK.

This is important because for the first time a manufacturer will be requesting the whole of its UK dealer network to commence using its recommended bespoke accident management service handled exclusively by us.

Business Review continued

Relationships with insurers

Ultimately it is the insurance industry that pays for the non fault party's right to mobility and it is from the insurance industry that we receive payment. The relationship between credit hire operators ("CHO's") and insurers is governed by a framework enshrined within a document called the General Terms of Agreement (the "GTA"). This sets out various terms that the insurer and the CHO are expected to adhere to, for example the CHO is expected to monitor repair periods to facilitate reduced rental periods. The GTA also sets out the agreed daily rent applicable to each of the wide range of vehicle categories together with the payment period that the insurer should endeavour to meet in exchange for being charged the reduced GTA approved day rate, rather than the full commercial rate that is legally chargeable.

As is mentioned in the Chief Executive's Statement we believe that insurers themselves are beginning to recognise the importance of customer satisfaction and the benefits of customer loyalty seen when improved service standards are offered to those of their customers who have been involved in accidents. Clearly, and more so for mainstream vehicles, it is the insurers themselves who receive the initial notification of an accident from their customer base, and that customer base is increasingly expecting an accident management service to keep them mobile for the repair period.

We also recognise that each accident involves an insurer being involved in a costly and time consuming administrative process. Insurers therefore incur a material overhead burden from the resource required to deal with the consequences of accidents.

We are convinced that a combination of efficient delivery standards and the enhanced use of technology to reduce manual process would be of material benefit to the insurance sector.

Resources, risks and uncertainties

We have grown materially over the year, with revenue growing from £21.7 million to £53.5 million, headcount from 133 to 363 and rentable fleet from 870 to 2,217.

We are a young company but our trading record and increasing size allows us to access the financial resources required to debt finance our vehicle expansion plans. We are close to concluding a syndicated hire purchase facility that is designed to sufficiently cover our anticipated purchase requirements over the medium term and we expect to give further details on this facility during the current financial year.

We depend on the insurer paying the costs associated with the non fault party maintaining mobility in a like for like replacement vehicle whilst their own vehicle is repaired. This right is enshrined in law as there is a long history of case law as insurers and credit hire operators tested the legal framework associated with the legal right to mobility. Relationships with insurers have improved on these issues over the last decade with the development of the GTA. We maintain high standards internally and only take on credit hire opportunities in those cases where we believe we can prove non fault status. As such once we take on a case we pursue recovery of the rental charges regardless of the timeframe involved. We recover payment from the insurer, and these payment periods can be protracted depending upon the individual circumstances of each case. We recognise this fact in both the standards we apply before a party is provided with a vehicle, in our revenue recognition assumptions and in the way we structure the balance sheet so as to be able to finance long working capital periods.

Further details of recent consultation between insurers and CHO's, and a copy of the GTA, can be obtained from the website www.abi.org.uk.

Further details of the Group's approach to managing risk is given in the Corporate Governance Statement.

Financial risk management

The Group's operations expose it to a number of financial risks that include liquidity issues, interest rate management, credit risk and pricing risks on both purchases and on the charges we make for hire.

Given the size of the Group the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Directors are implemented by the finance department.

Liquidity risk

The Group actively forecasts, manages and reports its working capital requirements on a regular basis to ensure it has sufficient funds for its operations. The timing of the receipt of funds from the insurer of the party from whom we seek to recover our rental charges is uncertain and can be protracted. This is the primary financial risk covered by the Group's financial risk management process and underpins the Directors' financing strategies.

Credit risk
The Group recovers its charges from the insurer of the fault party to the associated accident. As such the Group's customers are well known UK based regulated insurance companies. No credit insurance is taken out given the nature of these entities. Where cash is placed on deposit we have used only our UK based clearing bank for such purposes. Hire purchase debt finance is obtained from a variety of lenders, ranging from highly rated financial institutions to vehicle manufacturer related finance houses. All institutions utilised by the Group require the advance approval of the Board. Since the year end a loan was entered into with our clearing bank for the purposes of acquiring DCML Limited.

Interest rate management
The Group has in place a policy of minimising finance charges on overdraft balances via the monitoring and offsetting of cash balances across the Group and by forecasting and financing our working capital requirements. As at 30 April 2006 the Group had net debt of £60.7 million (2005: £17.3 million) of which £6.5 million (2005: £17,000) related to bank overdraft and the remainder to hire purchase facilities associated with the purchase of vehicles.

The Group had interest bearing assets for part of the year and ended the year with interest bearing liabilities. Interest bearing assets consisted of short and medium term deposits which were placed on fixed rate deposits and cash balances which earned interest at variable rates.

For the majority of the year the Group's hire purchase borrowings were financed largely on variable rate agreements. Given the growth of the Group and the increasing size of hire purchase borrowings the Board reviewed the appropriateness of this policy and has now refinanced all of the hire purchase debt on fixed rate terms. The Board is currently putting in place a syndicated hire purchase facility which is designed to reduce both interest and administration costs.

Price risk
The majority of the Group's cost base reflects the acquisition and financing costs of its vehicles, fuel and repair costs, property rental and salary costs. No costs are incurred that the Directors consider would be appropriate for the Group to hedge with financial instruments, subject to the comments made above on interest rate management. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

The rental charges applied to each vehicle are enshrined within the GTA as explained and described elsewhere in these financial statements.

Current and future development of performance

We believe we are innovative in our ability to lead the provision of high service standards in the provision of accident management services to the automotive and insurance sectors.

We believe that we are well positioned in the automotive sector and that this will facilitate revenue and profit growth opportunity both within the prestige sector and as we expand further in to mainstream vehicles.

We acknowledge that the insurance sector handles the majority of accidents and believe that we can assist them with superior customer service and at the same time facilitate cost reductions and we will be developing initiatives in this regard in the future. More details on this is given in the Chief Executive's Statement.

The financial position of the Group is reported on in the Finance Director's Statement which contains additional details of Key Performance Indicators.

Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations") which encompass statutory requirements for the disclosure of Directors' remuneration. Whilst the Company is currently listed on the Alternative Investment Market and as such is not required to comply with the Regulations the Board is continuing with the policy implemented last year whereby it will meet the requirements of the Regulations as part of ongoing good corporate governance.

As a consequence of this the Board has again included an ordinary resolution whereby shareholders can approve the Remuneration Report at the AGM.

The Regulations require the auditors to report to the shareholders on the "auditable part" of the Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). This report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

The Company has established a Remuneration Committee which was chaired initially by The Rt. Hon. Lord Young and then by David Galloway from the date of his appointment to the Board. The Remuneration Committee comprises all of the Non-Executive directors. None of the Remuneration Committee has any personal financial conflicts of interest arising from cross directorships (other than as disclosed in note 27) or day to day involvement in running the business. No director plays a part in any discussion about his own remuneration. The remit of the Remuneration Committee is limited to consideration of the remuneration of the Executive Directors and to the approval of share options grants under the schemes operated by the Company.

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Company operates within a competitive environment; performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain and improve the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives.

Service contracts

The service contracts and letters of appointment of the Directors include the following terms:

Steve Evans has a service contract with the Group dated 23 March 2004 pursuant to which he was appointed Chief Executive. The agreement was for an initial period of 24 months and may now be terminated ordinarily by either party on 12 months' notice.

Martin Andrews has a service contract with the Group dated 10 November 2004 pursuant to which he was appointed Group Finance Director. His service contract may be terminated ordinarily by either party on 12 months' notice.

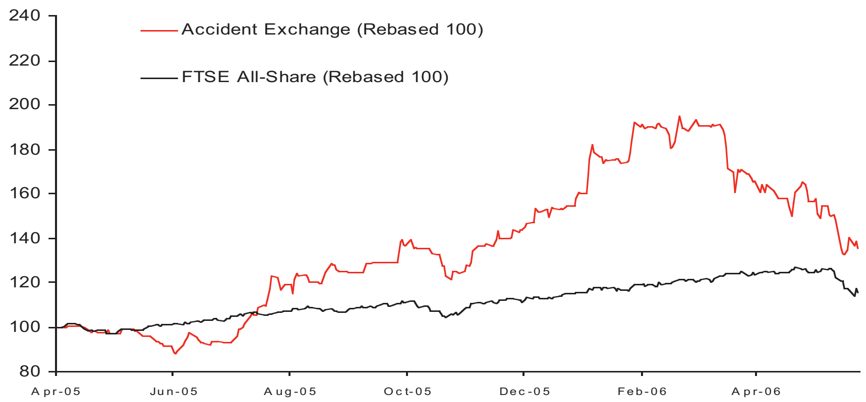
The Rt. Hon. Lord Young of Graffham has an appointment letter dated 23 March 2004 pursuant to which he became Non-Executive Chairman of the Company. The agreement was for an initial period of 6 months and may now be terminated by either party on 3 months' notice.

David Lees has an appointment letter dated 17 April 2004 pursuant to which he became a Non-Executive Director. The agreement was for an initial period of 6 months and may now be terminated by either party on 3 months' notice.

David Galloway and Graham Stanley both have appointment letters dated 21 July 2005 pursuant to which they became Non-Executive Directors of the Company. Both agreements were for an initial period of 6 months and may now be terminated by either party on 3 months' notice.

Performance graph

The graph shows the relative performance of the Company's share price over the last year measured against the FTSE All Share index. If we had chosen either of the FTSE AIM All Share index or the FTSE All Share General Financial index the profile of the graph would have been very similar. These indices were selected as being the most appropriate for comparison purposes.



Audited Information

Directors' Remuneration

The remuneration of the Directors was as follows:

	Basic salary and fees £'000	Annual bonuses £'000	Benefits £'000	Total 2006 £'000	Total 2005 £'000	Pension 2006 £'000	Pension 2005 £'000
Executive Directors							
Steve Evans	200	–	18	**218**	115	**16**	6
Martin Andrews	150	–	21	**171**	93	**12**	4
Paul Wildes (resigned 5 May 2005)	–	–	–	**–**	10	**–**	–
Non - Executive Directors							
The Rt. Hon. Lord Young	30	–	–	**30**	30	**–**	–
David Lees	20	–	–	**20**	20	**–**	–
Frances Worsley (resigned 3 October 2005)	13	–	–	**13**	20	**–**	–
David Galloway (appointed 21 July 2005)	23	–	–	**23**	–	**–**	–
Graham Stanley (appointed 21 July 2005)	19	–	–	**19**	–	**–**	–
Total	455	–	39	**494**	288	**28**	10

The principal terms of remuneration for each Director serving at the year end are as follows:

Steve Evans' current remuneration is £200,000 per annum and he is entitled to participate in a discretionary bonus scheme on terms determined by the Remuneration Committee. His bonus for the year ended 30 April 2006 was nil (2005: £nil). Other benefits include provision of a car, pension contributions at a current rate of 8% of salary, 6 months paid sick leave, life assurance and private healthcare.

Martin Andrews' current remuneration is £150,000 per annum and he is also entitled to participate in a discretionary bonus scheme up to a maximum of 55% of basic salary on terms determined by the Remuneration Committee. His bonus for the year ended 30 April 2006 was nil (2005: £34,000). Martin Andrews' other benefits are the same nature as disclosed for Steve Evans.

The Non-Executive Directors currently receive annual fees of £30,000 for The Rt. Hon. Lord Young of Graffham and David Galloway, £25,000 for Graham Stanley and David Lees.

Remuneration Report continued

Directors' share options

Executive Directors are also entitled to participate in the share option schemes of the Group. The maximum number of options that a Director can be granted annually will ordinarily be two times basic salary per annum. Details of movements in Directors' share options in the year are as follows:

Option scheme and grant date	**Exercise period**	**Exercise price (p)**	As at 1 May 2005	**Lapsed in year**	**Granted in year**	**As at 30 April 2006**
LTIP						
Martin Andrews						
29 March 2005	30 March 2008 - 29 March 2015	nil	100,000	–	–	100,000

The LTIP options granted to Martin Andrews on 29 March 2005 have adjusted eps (pre share option charges and goodwill) related performance conditions attached to them whereby, in order for these options to vest in full, adjusted eps must exceed 8p, 19p and 37p for the three years ending 30 April 2007 respectively. One sixth of the options were linked to the 8p target, one half to the 19p target and one third to the 37p target. The performance conditions for the two years ended 30 April 2006 were met in full.

The mid-market price of the shares at 30 April 2006 was 402.25p and the range during the year was 225p to 500p.

This report was approved by the Directors on 14 June 2006 and signed on its behalf by:

David Galloway
Chairman of the Remuneration Committee

14 June 2006

Corporate Governance

Statement by the Directors on compliance with the provisions of the Combined Code

The London Stock Exchange publishes the Principle of Good Governance and the Code of Best Practice (the "Combined Code").

Since admission to the Alternative Investment Market ("AIM"), the Group has applied principles of corporate governance commensurate with its size notwithstanding that the rules of the Stock Exchange do not require companies that have securities traded on AIM to comply formally with the Combined Code.

The Group supports the concept of an effective Board leading and controlling the Group and a brief outline of the role of the Board and its committees, together with the Group's systems of internal financial control, which the Board will continue to keep under review, is given below. This does not constitute full compliance with the Combined Code. It reflects the areas where the Directors feel adoption of elements of the Combined Code are appropriate. As such, areas of non-compliance have not been set out herein.

The Board

The Board currently comprises the Non-Executive Chairman, the Chief Executive and Finance Director and three Non-Executive Directors. Biographies of the Directors appear on page 16.

The Board meets on a regular basis and has a schedule of matters specifically for its decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. The Directors consider that they have a broad level of experience sufficient to bring informed judgement on the development and implementation of strategic objectives, the measurement of performance against expectation and the standards of conduct necessary to assist in procuring the success of the Group.

All Directors have access to the advice and services of the Company Secretary and to independent professional advice at the Company's expense.

Details of the Directors' service contracts are given in the Report on Remuneration. Directors who are appointed in the period are required to be elected by shareholders at the next Annual General Meeting, as is one third of the remainder of the Board who are required to retire by rotation. Details of the Director's offering themselves for election or re-election are given in the Directors' Report.

Relations with shareholders

The Company meets regularly with both existing and prospective institutional investors. The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance. The Directors all endeavour to attend the Annual General Meeting, a meeting that they encourage private investors to attend and where they will be available to answer questions.

Internal control

The Board is responsible for maintaining and reviewing the Group's system of internal controls, covering all controls, including financial, operational and compliance and risk management. The Group's system of internal controls is designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement.

The key internal controls include the preparation of monthly management accounts, which are compared with budgets with explanations for variances provided to the Board. Budgets are prepared annually, with revised forecasts being prepared approximately quarterly. Cash balances are reported to the executive Directors on a daily basis. The management accounts include profit and loss, balance sheet and cash flow information. As the Group expands its headcount, improved management control is arising from increased "segregation of duties" and the Group is becoming less dependant on a small number of key personnel.

An audit committee has been established, chaired until his departure by FE Worsley and thereafter by David Lees. The audit committee meets four times a year and is responsible for adopting appropriate accounting policies and for monitoring and reporting the financial performance of the Group, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Independent Auditor's Report

to the members of Accident Exchange Group Plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Accident Exchange Group Plc for the year ended 30 April 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Statement, the Finance Director's Statement, the Business Review, the unaudited part of the Remuneration Report, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We have also, at the request of the Directors, audited the disclosures that would be required by Part 3 of Schedule 7A to the Company's Act 1985 as if the Company was a listed company, contained in the Remuneration Report ("the auditable part"). The Directors have also taken responsibility for preparing the Remuneration Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 30 April 2006 and of the Group's profit and cash flows for the year then ended; and

- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
14 June 2006

Accounting Policies

The principal accounting policies of the Group are set out below:

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the UK. The accounting policies have been applied consistently except for where the adoption of a new accounting standard has necessitated change. Full details are provided in note 1.

Basis of Consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 11) drawn up to 30th April 2006.

Acquisitions of subsidiaries are included from the date of acquisition and are accounted for using the acquisition method.

Goodwill

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired, is capitalised and amortised over its useful economic life as shown in note 9. Provision is made for any impairment.

Income Recognition

Credit hire and repair income, and income derived from other accident management activities, is recognised, net of VAT, as that which is receivable on transactions which have been completed and invoiced during the year, together with an appropriate proportion of estimated receivable income in respect of hires and work in progress at the year end. The rates used are based on daily charges for particular categories of vehicles and are accrued on a daily basis by claim.

Claims in Progress

Amounts recoverable on claims in progress, which are included in debtors, are stated as the net claim value after estimated allowances for amounts considered irrecoverable less amounts received as interim payments on account.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by annual instalments over their expected useful economic lives. The rates generally applicable are:

Computer equipment	—	33% straight line
Plant, fixtures and fittings	—	25% straight line
Motor vehicles	—	20% straight line

Intangible Assets

Intangible fixed assets are stated at cost less amortisation. Intangible assets are written off over their estimated useful economic life.

Leased Assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Investments held in subsidiaries in the Company balance sheet are included at cost less provision for impairment. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the Company to which the provisions of Section 131 of the Companies Act 1985 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date. Where assets and liabilities for deferred taxation arise they are not discounted.

Pensions

The company operates a defined contribution scheme for employees. The pension costs arising are charged to the profit and loss account to represent the amount of contributions payable to the scheme in respect of the accounting period.

Financial instruments

The Group does not utilise complex financial instruments. Any Income and expenditure arising on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

Share Options

As described in note 1 to these financial statements, share option costs are charged to the profit and loss account in accordance with FRS 20, as opposed to the previous treatment under UITF17.

This has resulted in the calculation of an embedded value for the option grants as at their date of grant and the resulting fair value charge is spread over the (three year) vesting period. The charge reflects for example, the time of value of money (as the options are not paid for until the end of the three year vesting period) and also factors such as share price volatility.

Consolidated Profit and Loss Account

for the year ended 30 April 2006

	Note	Year ended 30 April 2006 £'000	Year ended 30 April 2005 (* Restated) £'000
Turnover – Continuing operations	2	**53,460**	21,680
Cost of sales		**(24,726)**	(8,865)
Gross profit		**28,734**	12,815
Administrative expenses:			
Administrative expenses before amortisation of goodwill		**(10,860)**	(4,438)
Amortisation of goodwill		**(656)**	(656)
Total administrative expenses		**(11,516)**	(5,094)
Operating profit		**17,218**	7,721
Profit on disposal of fixed asset	2	**2,600**	–
Net interest payable	3	**(1,912)**	(1,016)
Profit on ordinary activities before taxation	2	**17,906**	6,705
Taxation	5	**(5,783)**	(2,241)
Profit on ordinary activities after taxation		**12,123**	4,464
Equity dividends	6	**(1,305)**	(309)
Profit on ordinary activities for the financial period		**10,818**	4,155
Basic and diluted earnings per share	8	**18.8p**	7.2p

There is no difference between the reported profit on ordinary activities before tax and the historical cost profit on ordinary activities before tax.

There are no gains or losses other than the profits for the periods above and therefore no separate statement of total recognised gains and losses has been presented.

* See note 1 – Restatement of prior year comparatives

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

at 30 April 2006

	Note	30 April 2006 £'000	30 April 2005 (* Restated) £'000
Fixed assets			
Intangible assets	9	11,865	12,562
Tangible assets	10	52,306	16,413
		64,171	28,975
Current assets			
Debtors	12	44,990	12,272
Creditors:			
Amounts falling due within one year	13	(31,554)	(9,119)
Net current assets		13,436	3,153
Total assets less current liabilities		77,607	32,128
Creditors:			
Amounts falling due after more than one year	14	(36,668)	(12,009)
Provisions for liabilities and charges	15	(2,925)	(936)
		38,014	19,183
Capital and reserves			
Called up share capital	17	3,887	3,713
Share premium	18	7,959	410
Other reserves	18	10,846	10,846
Profit and loss account	18	15,322	4,214
Equity shareholders' funds	19	38,014	19,183

* See note 1 – Restatement of prior year comparatives

The financial statements were approved by the Board of Directors and signed on its behalf by:

S A Evans
14 June 2006

M J Andrews

The accompanying notes form an integral part of these financial statements.

Company Balance Sheet

at 30 April 2006

	Note	30 April 2006 £'000	30 April 2005 (* Restated) £'000
Fixed assets			
Intangible assets	9	124	165
Investments	11	3,074	3,074
		3,198	3,239
Current assets			
Debtors	12	14,633	2,744
Cash in bank and in hand		245	–
		14,878	2,744
Creditors:			
Amounts falling due within one year	13	(2,783)	(554)
Net current assets		12,095	2,190
Total assets less current liabilities		15,293	5,429
Creditors:			
Amounts falling due after more than one year		–	–
		15,293	5,429
Capital and reserves			
Called up share capital	17	3,887	3,713
Share premium	18	7,959	410
Profit and loss account	18	3,447	1,306
Equity shareholders' funds		15,293	5,429

* See note 1 – Restatement of prior year comparatives

The financial statements were approved by the Board of Directors and signed on its behalf by:

S A Evans
14 June 2006

M J Andrews

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 April 2006

	Note	Year ended 30 April 2006 £'000	Year ended 30 April 2005 £'000
Net cash inflow from operating activities	**22**	**6,729**	5,552
Returns on investments and servicing of finance			
Interest received		**119**	2
Interest on bank loans and overdrafts		**(47)**	(39)
Interest element of finance lease payments		**(1,984)**	(979)
Net cash outflow from returns on investments and servicing of finance		**(1,912)**	(1,016)
Taxation		**(3,385)**	(81)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(1,274)**	(314)
Proceeds of disposal of property	**2**	**688**	–
Proceeds of disposal of fixed assets		**8,761**	987
Net cash inflow from capital expenditure and financial investment		**8,175**	673
Equity dividends paid		**(1,305)**	(309)
Net cash inflow before financing		**8,302**	4,819
Financing			
Issue of ordinary share capital		**8,000**	–
Share issue costs		**(277)**	–
Capital element of finance lease payments		**(22,473)**	(5,158)
Net cash outflow from financing		**(14,750)**	(5,158)
Decrease in cash	**23**	**(6,448)**	(339)

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Information

for the year ended 30 April 2006

1. Restatement of prior year comparatives

Impact of FRS 20 - Share based payment

In these financial statements grants of share options have been reported in accordance with FRS 20, as opposed to the previous treatment under UITF 17. This reflects early adoption of this standard.

This has resulted in the calculation of an embedded value for the option grants as at their date of grant and the resulting fair value charge is spread over the three year vesting period. The charge reflects for example, the time value of money (as the options are not paid for until the end of the three year vesting period) and also factors such as the risk free cost of capital of between 4.2% and 4.6% and share price volatility of 35%.

Applying FRS 20 and determining the new charge for the whole of the prior year also results in a charge of £10,000 (the same as charged last year under UITF 17). Hence the profit and loss account for the year ended 30th April 2005 (whilst having different accounting policies applied to it) remains unaltered.

The effect of FRS 20 on the balance sheet as at 30th April 2005 is to reclassify the credit previously made to "Other Reserves" as a credit to "Profit & Loss Account Reserves".

The current period FRS 20 application results in a charge of £290,000 to the profit and loss account.

Impact of FRS 21 – Events after the balance sheet date

FRS 21 has been adopted in these financial statements. Under FR S21, dividends which are declared after the relevant balance sheet date cannot be accrued for, as was the case previously. As a result, the balance sheets and profit and loss accounts for the comparative period have been restated to reflect this, with the prior year end dividend of £617,000 being removed from that year and instead treated as a dividend in the current period.

Impact of FRS 22 – Earnings per share

Application of this Standard has no impact on these financial statements.

2. Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation, with the exception of the profit on disposal of property, were all derived from the principal activity of the provision of prestige and mainstream cars on credit hire and associated services to victims of 'non-fault' car accidents in the UK.

The profit on ordinary activities is stated after charging:

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 (* Restated) £'000
Auditors' remuneration:		
Audit services	**60**	50
Taxation services	**27**	9
Other services	**18**	15
Depreciation and amortisation:		
Goodwill	**656**	656
Intangible assets	**41**	41
Tangible fixed assets, owned	**344**	115
Tangible fixed assets, held under hire purchase contracts	**7,219**	2,297
Profit on disposal of fixed assets (excluding property)	**(1)**	20
Profit on disposal of property	**(2,600)**	–
Operating lease rentals:		
Land and buildings	**400**	67
Other	**1,217**	330

The profit on disposal of property relates to the sale of the headquarter and distribution centre, Alpha 1. The Group contracted to purchase the property for £14.2m following an offer to sell to it to a third party for £17.6m. This was concluded and the profit, net of expenses, is reflected in the profit and loss account, with the cash proceeds received in the year being shown in the cashflow statement. Proceeds of £3.1m, being the profit plus VAT, were held in escrow at the year end (see Note 12) and were received post year end. Coterminus with the sale, the Group entered into a lease with the new owner at an annual commercial market rate.

3. Interest

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 £'000
Bank interest payable	**46**	39
Finance charges in respect of finance leases	**1,984**	979
Bank interest receivable	**(118)**	(2)
Net interest payable	**1,912**	1,016

4. Wages and Salaries

	Year ended 30 April 2006	Year ended 30 April 2005
The average number of persons (including Directors) employed by the Group during the year was:	**249**	95
Staff costs (including Directors) during the year were as follows:	**£'000**	£'000
Wages and salaries	**7,467**	2,999
Social security costs	**801**	321
Other pension costs	**213**	50
Cost of employee share schemes	**290**	10
	8,771	3,380

Further information on Directors' remuneration is given in the Remuneration Report.

5. Taxation on profit on ordinary activities

The tax charge represents:

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 £'000
UK corporation tax at 30%	**3,787**	1,636
Adjustments in respect of prior period	**7**	(36)
Total current tax	**3,794**	1,600
Deferred taxation provision (Note 16)	**1,989**	641
Taxation on profit on ordinary activities	**5,783**	2,241

for the year ended 30 April 2006

5. Taxation on profit on ordinary activities (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 £'000
Profit on ordinary activities before tax	**17,906**	6,705
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**5,372**	2,012
Effects of:		
Expenses not deductible for tax purposes	**404**	260
Capital allowances in excess of depreciation	**(1,989)**	(627)
Prior year adjustment	**7**	(36)
Utilised losses	**–**	(9)
Current tax charge for the year	**3,794**	1,600

6. Equity dividends

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 (Restated) £'000
Ordinary shares		
Final dividend of 1.0p per share declared 10 June 2005	**617**	–
Interim dividend 1.0p per share declared 7 December 2005	**688**	309
	1,305	309

The Directors are recommending the payment of a final dividend of 2.0p per share (2005: 1.0p). The payment, amounting to £1,318,961 will be made on 21 July 2006 to shareholders on the register on 23 June 2006.

7. Parent Company profit for the financial year

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The parent Company profit for the year was £3,155,417 (2005 : £660,000).

8. Earnings per share

Basic and diluted earnings per share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

Whilst share options were in issue over 840,757 shares as at 30 April 2006, the dilutive effect of these potential ordinary shares is not material and consequently there is no material difference between basic earnings per share and diluted earnings per share.

Details of the earnings and weighted average number of shares used in the calculations are set out below:

	Year ended 30 April 2006	Year ended 30 April 2005
Profit on ordinary activities after taxation (£'000)	**12,123**	4,464
Weighted average number of shares	**64,319,615**	61,710,273
Basic and diluted earnings per share (pence)	**18.8**	7.2

Adjusted earnings per share

The calculation of the adjusted earnings per share is based on earnings as set out below:

	Year ended 30 April 2006	Year ended 30 April 2005
Profit on ordinary activities after taxation (£'000)	**12,123**	4,464
Profit after tax on disposal of property (£'000) (Note 2)	**(1,803)**	–
Profit on ordinary activities after taxation before property disposal (£'000)	**10,320**	4,464
Goodwill (£'000)	**656**	656
Cost of employee share schemes (£'000)	**290**	10
Adjusted profit on ordinary activities after taxation (£'000)	**11,266**	5,130
Weighted average number of shares	**64,319,615**	61,710,273
Basic and diluted earnings per share (pence)	**18.8**	7.2
Profit on disposal of property (pence)	**(2.8)**	–
Earnings per share before disposal of property (pence)	**16.0**	7.2
Goodwill (pence)	**1.0**	1.1
Cost of employee share schemes (pence)	**0.5**	–
Adjusted earnings per share (pence)	**17.5**	8.3

9. Intangible fixed assets

The Group	Software £'000	Goodwill £'000	Total £'000
Cost			
At 30 April 2005 and 30 April 2006	**285**	**13,078**	**13,363**
Amortisation			
At 1 May 2005	120	681	801
Amortised in the year	41	656	697
At 30 April 2006	**161**	**1,337**	**1,498**
Net book amount at 30 April 2006	**124**	**11,741**	**11,865**
Net book amount at 30 April 2005	165	12,397	12,562

Goodwill above relates to the following:

	Date of acquisition	Period of amortisation	Original cost £'000
Accident Exchange Limited	16 April 2004	20 Years	13,128

On the basis of the strength of the relationship Accident Exchange Limited has with both its customers and the major insurance companies, and its underlying technology platform, the Directors consider that the useful economic life of the goodwill is at least 20 years.

The Company	Software £'000
Cost	
At 30 April 2005 and 30 April 2006	**285**
Amortisation	
At 1 May 2005	120
Amortised in the year	41
At 30 April 2006	**161**
Net book amount at 30 April 2006	**124**
Net book amount at 30 April 2005	165

10. Tangible fixed assets

Group	Property £'000	Computer Equipment £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 May 2005	–	246	181	17,964	18,391
Additions in the year (Note 2)	14,220	793	481	50,979	66,473
Disposals in the year	(14,220)	(1)	–	(11,977)	(26,198)
At 30 April 2006	**–**	**1,038**	**662**	**56,966**	**58,666**
Depreciation					
At 1 May 2005	–	6	38	1,934	1,978
Charged in the year	–	233	111	7,219	7,563
Disposals	–	–	–	(3,181)	(3,181)
At 30 April 2006	**–**	**239**	**149**	**5,972**	**6,360**
Net book amount at 30 April 2006	**–**	**799**	**513**	**50,994**	**52,306**
Net book amount at 30 April 2005	–	240	143	16,030	16,413

The figures stated above include assets held under hire purchase contracts as follows:

	Motor Vehicles £'000
Net book amount at 30 April 2006	**50,994**
Net book amount at 30 April 2005	16,030

11. Fixed asset investments

Company	Investment in Group undertakings £'000
Cost and net book amount	
At 30 April 2005 and 30 April 2006	**3,074**

At 30 April 2006 the company holds 100% of the ordinary share capital of the following subsidiaries, all of which are registered in England and Wales.

Subsidiary	Nature of business
Accident Exchange Limited	Provision of non-fault accident management assistance and related services
AXI Limited	Dormant
AX Finance Limited	Dormant
AX Insurance Solutions Limited	Dormant
Accident Exchange (2004) Limited	Dormant

See note 26 regarding the acquisition of DCML Limited which occurred after the balance sheet date.

12. Debtors

	Group 30 April 2006 £'000	Group 30 April 2005 £'000	Company 30 April 2006 £'000	Company 30 April 2005 £'000
Trade debtors	39,120	11,810	–	–
Amounts owed by Group undertakings	–	–	11,255	2,703
Value Added Tax	757	–	–	–
Sale of property proceeds (Note 2)	3,084	–	3,084	–
Other debtors	863	265	–	–
Prepayments and accrued income	1,166	197	294	41
	44,990	12,272	14,633	2,744

13. Creditors: amounts falling due within one year

	Group 30 April 2006 £'000	Group 30 April 2005 (* Restated) £'000	Company 30 April 2006 £'000	Company 30 April 2005 (Restated) £'000
Bank overdraft	6,465	17	–	99
Trade creditors	2,614	1,124	166	28
Corporation tax	2,045	1,636	1,497	267
Social security and other taxes	1,393	650	19	11
Other creditors	550	179	530	141
Amounts due under hire purchase contracts	17,572	5,323	–	–
Accruals and deferred income	915	190	571	8
	31,554	9,119	2,783	554

14. Creditors: amounts falling due after more than one year

	Group 30 April 2006 £'000	Group 30 April 2005 £'000	Company 30 April 2006 £'000	Company 30 April 2005 £'000
Amounts due under hire purchase contracts	**36,668**	12,009	**–**	–
Borrowings are repayable as follows:				
Within one year:				
Bank overdraft	**6,465**	17	**–**	99
Hire purchase	**20,521**	6,665	**–**	–
After one and within two years:				
Hire purchase	**38,103**	12,274	**–**	–
After two and within five years:				
Hire purchase	**–**	52	**–**	–
Less hire purchase interest on the above	**(4,384)**	(1,659)	**–**	–
	60,705	17,349	**–**	99

The bank overdraft is secured with a fixed and floating charge over certain assets of the Group.

Amounts under hire purchase contracts are secured on the assets to which they relate.

15. Provisions for liabilities and charges

	Deferred taxation £'000
The Group	
At 30 April 2005	936
Provided in the year (Note 16)	1,989
At 30 April 2006	**2,925**

for the year ended 30 April 2006

16. Deferred taxation

Deferred taxation provided for in the financial statements is set out below and is the full potential deferred tax liability:

	30 April 2006 £'000	30 April 2005 £'000
Accelerated capital allowances	**2,925**	936

17. Share capital

	30 April 2006 £'000	30 April 2005 £'000
Authorised		
87,485,520 ordinary shares of 5p and 12,514,500 deferred shares of 5p	**5,000**	5,000
Allotted, issued and fully paid		
65,226,480 (30 April 2005: 61,748,219) ordinary shares of 5p and 12,514,500 deferred shares of 5p	**3,887**	3,713

Allotments during the year
On 10 June 2005 3,478,261 new ordinary 5p shares were issued at a price of £2.30 per share, the aggregate nominal value of shares issued amounted to £173,913. The new shares qualified for the 2005 year end dividend paid on 22 July 2005.

As described more fully in note 26, on 5 May 2006, 721,587 new ordinary shares were issued in connection with the acquisition of DCML Limited at a price of £4.16 per share. These shares will qualify for the 2006 year end dividend. As a result of this share issue the Group currently has 65,948,067 ordinary shares of 5p each in issue.

Cancellation of Deferred Shares
As mentioned in the Finance Director's Report, in order to simplify the share structure, it is the intention of the Company to purchase the Deferred Shares for an aggregate consideration of £1 as provided for by article 5.1.3 of the articles of association of the Company such that the Company will only have Ordinary Shares in issue, and a resolution is set out in the notice of AGM to approve the purchase.

18. Reserves

The Group	Share premium £'000	Other reserves £'000	Profit and loss account £'000
At 30 April 2005	410	10,856	3,587
Prior year restatement (Note 1)	–	(10)	627
At 30 April 2005 as restated	410	10,846	4,214
Employee share scheme charges	–	–	290
Premium on issue of ordinary share capital	7,826	–	–
Share issue costs	(277)	–	–
Retained profit for the year	–	–	10,818
At 30 April 2006	**7,959**	**10,846**	**15,322**

Other reserves relate to the difference between the market value and the nominal value of shares issued as consideration for the acquisition of Accident Exchange Limited in April 2004, where the group has taken advantage of Section 131 of the Companies Act 1985.

The Company	Share premium £'000	Other reserves £'000	Profit and loss account £'000
At 30 April 2005	410	10	679
Prior year restatement (Note 1)	–	(10)	627
At 30 April 2005 as restated	410	–	1,306
Employee share scheme charges	–	–	290
Premium on issue of ordinary share capital	7,826	–	–
Share issue costs	(277)	–	–
Retained profit for the year	–	–	1,851
At 30 April 2006	**7,959**	**–**	**3,447**

19. Reconciliation of movements in shareholders' funds

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 £'000
Retained profit for the year	**10,818**	3,538
Prior year restatement (Note 1)	**–**	617
At 30 April 2005 as restated	**10,818**	4,155
Employee share scheme charges	**290**	10
Issue of ordinary share capital (including share premium)	**8,000**	55
Share issue costs	**(277)**	–
Net increase in shareholders' funds	**18,831**	4,220
Equity shareholders' funds at 30 April 2005	**19,183**	14,963
Equity shareholders' funds at 30 April 2006	**38,014**	19,183

for the year ended 30 April 2006

20. Capital commitments and contingent liabilities

There were no material contingent liabilities at 30 April 2006 (2005: None).

The company and its subsidiaries have cross guarantees in place in relation to bank and other borrowings.

Capital Commitments relate to the replacement of some existing motor vehicles and the purchase of new motor vehicles. The purchase of new motor vehicles is contingent on specific motor dealers operating an exclusive relationship with Accident Exchange Limited in respect of the introduction of credit hire claims involving their customers.

Included in capital commitments due within one year are confirmed orders for motor vehicles amounting to £2,094,989 ordered in the normal course of business, which are not contingent on an exclusive relationship being upheld.

	Motor Vehicles 2006 £'000	Motor Vehicles 2005 £'000
In one year or less	**41,470**	13,026
Between one and five years	**41,514**	1,250
In five years or more	**–**	–
	82,984	14,276

21. Leasing commitments

	Land and Buildings 30 April 2006 £'000	Land and Buildings 30 April 2005 £'000	**Other 30 April 2006 £'000**	Other 30 April 2005 £'000
In one year or less	**72**	–	**69**	282
Between one and five years	**215**	–	**72**	37
In five years or more	**1,251**	166	**–**	–
	1,538	166	**141**	319

22. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 £'000
Operating profit	**17,218**	7,721
Amortisation of goodwill	**656**	656
Amortisation of intangible assets	**41**	41
Depreciation	**7,563**	2,412
(Profit) / loss on sale of tangible fixed assets	**(1)**	20
Cost of employee share schemes	**290**	10
Increase in debtors	**(21,084)**	(6,446)
Increase in creditors	**2,046**	1,138
Net cash inflow from operating activities	**6,729**	5,552

23. Reconciliation of net cash flow to movement in net debt

	Year ended 30 April 2006 £'000	Year ended 30 April 2005 £'000
Decrease in cash in period	**(6,448)**	(339)
Capital element of finance leases	**22,473**	5,158
Change in net debt resulting from cash flows	**16,025**	4,819
Inception of finance leases	**(59,381)**	(18,224)
Increase in net debt in period	**(43,356)**	(13,405)
Net debt at 30 April 2005	**(17,349)**	(3,944)
Net debt at 30 April 2006	**(60,705)**	(17,349)

24. Analysis of changes in net debt

	As at 30 April 2005 £'000	Cashflows £'000	Non-cash items £'000	As at 30 April 2006 £'000
Bank overdraft	(17)	(6,448)	–	**(6,465)**
Finance leases	(17,332)	22,473	(59,381)	**(54,240)**
Net debt	(17,349)	16,025	(59,381)	**(60,705)**

25. Financial instruments

The Group uses financial instruments comprising cash, short term deposits and hire purchase contracts. The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet its foreseeable needs and to invest cash assets safely and profitably.

There is no difference between the fair values of financial instruments and the amounts at which they are included in the financial statements.

Short term debtors and creditors
Short term debtors and creditors have been excluded from all following disclosures.

Borrowing facilities
In addition to hire purchase arrangements, the Group has borrowing facilities of £7,000,000 (2005: £2,800,000) which were not fully utilised at 30 April 2006.

Interest rate risk
The Group finances its operations through a mixture of hire purchase arrangements, bank overdraft and cash at bank. Vehicles are financed over two years on hire purchase arrangements. The hire purchase arrangements are all at fixed rates of interest. The weighted average rate was 6.03% (2005: 6.25%).

Interest on the overdraft is charged at 1% over bank base rate (2005: 1.5%)

26. Post balance sheet events

On 2 May 2006 the Group announced the conditional acquisition of DCML Limited ("DCML") for a total consideration of up to £12 million.

DCML provides business software solutions across the automotive industry, from car manufacturers through their franchised dealers, into repairers and bodyshops. In the year ended 30 June 2005 DCML's turnover was £2.3 million, profit before taxation was £715,000 and net assets were £711,000. DCML operates from long leasehold premises in Stockport, Cheshire and employs 27 people.

The total consideration for the acquisition is made up of initial consideration of £8 million and deferred consideration of up to £4 million. The initial consideration was satisfied as to £5 million in cash (raised by entering into a 6 year term loan) and £3 million by the issue of 721,587 new 5p ordinary shares direct to the vendors of DCML at a price of 415.75p per share (being the average of the mid market price for the five previous days prior to the announcement of the acquisition). The deferred consideration is payable dependent on DCML attaining certain financial targets for the period from 1 May 2006 to 31 December 2006 and is payable in shares or loan notes at the option of Accident Exchange.

The acquisition was conditional on the admission of the new 5p ordinary shares to trading on the Alternative Investment Market and this occurred on Friday 5 May 2006. Therefore the acquisition, the share issue, the commencement of the loan and the assets and liabilities of DCML are not accounted for, consolidated nor reported in any way other than as a post balance sheet event within these financial statements.

27. Transactions with related parties

During the year the Group had transactions with Williams BMW of which David Galloway is a director. The Group purchased one motor vehicle from Williams BMW Liverpool amounting to £23,000 and disposed of five motor vehicles to Williams BMW Liverpool the proceeds of which amounted to £115,000.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Accident Exchange Group Plc will be held at the offices of DLA Piper Rudnick Gray Cary UK LLP, 3 Noble Street, London, EC2V 7EE on Thursday 20 July 2006 at 12 noon (the "AGM") for the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and financial statements for the year ended 30 April 2006 together with the auditors' report on these financial statements.

2. To receive and adopt the Remuneration Report.

3. Having been appointed by the Board since the last annual general meeting, to elect David Galloway as a Director of the Company.

4. Having been appointed by the Board since the last annual general meeting, to elect Graham Stanley as a Director of the Company.

5. Having retired by rotation, to re-elect Martin Andrews as a Director of the Company in accordance with the Company's articles of association.

6. Having retired by rotation, to re-elect David Lees as a Director of the Company in accordance with the Company's articles of association.

7. To appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the Directors to fix their remuneration.

8. To declare a final dividend of 2 pence per ordinary share to those members whose names appear on the register of members of the Company at close of business on 23 June 2006.

Special Business

To consider and, if thought fit, pass the following resolutions of which resolution 9 will be proposed as an ordinary resolution and resolutions 10, 11 and 12 as special resolutions.

Ordinary Resolution

9. That pursuant to section 80 of the Companies Act 1985 (the "Act") the Directors of the Company ("Directors") be and are hereby generally and unconditionally authorised, in substitution for all previous powers granted to them hereunder, to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £1,141,172 (being in aggregate 1/3rd of the nominal value of the current issued ordinary share capital of the Company plus outstanding share options) such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2007 or 15 months after the passing of the resolution (whichever is the earlier) save that the Company may, before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

10. That subject to and conditional upon the passing of resolution 9, the Directors be authorised and empowered pursuant to section 95 of the Act, in substitution for all powers previously granted hereunder, to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the section 80 authority referred to in resolution 9 above as if section 89(1) of the Act did not apply to any such allotment, such power to expire at the conclusion of the annual general meeting of the Company to be held in 2007 or 15 months after the passing of the resolution (whichever is the earlier), and such power is limited to the allotment of equity securities:

Notice of Meeting continued

(a) wholly for cash in connection with rights issues where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under law or the requirements of any regulatory body or any recognised stock exchange in any territory

(b) otherwise than pursuant to paragraph (a) up to a maximum aggregate nominal amount of £206,908 (being in aggregate 5% of the nominal value of the current issued ordinary share capital of the Company plus outstanding share options)

provided that the Directors may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

11. That pursuant to section 166 of the Act the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of the Company provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 6,594,806 (representing 10% of the Company's issued ordinary share capital at the date of this resolution);

(b) the minimum price exclusive of any expenses which may be paid for an ordinary share is 5p;

(c) the maximum price exclusive of any expenses which may be paid for any share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such share is contracted to be purchased;

(d) the authority hereby conferred shall expire on the earlier of the date 18 months from the date of this annual general meeting or the close of the next annual general meeting of the Company; and

(e) the Company may take a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority and may take purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

12. That in accordance with the provisions of section 164(2) of the Act, the terms of the proposed contract ("Own Share Purchase Contract") for the purchase by the Company of a total of 12,514,500 deferred shares of 5 pence each in the capital of the Company for the aggregate sum of £1, in accordance with article 5.1.3 of the articles of association of the Company, be approved and the Company be authorised to enter into the Own Share Purchase Contract and the proposed payment of £1 out of the Company's distributable reserves (in accordance with section 160(1)(a) of the Act) to be made pursuant to the Own Share Purchase Contract be approved.

By Order of the Board

Nikki Pickering
Secretary

14 June 2006

Registered Office:
Unit 1
Roman Park
Roman Way
Coleshill
Birmingham
B46 1HG

Notes to the Notice of AGM

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending and voting in person.

   A proxy may be by any of the following methods.

   - Completing and returning the enclose Form of Proxy (and any power of attorney or other authority under which it is executed or a notarially certified copy thereof) and depositing it with the Company's registrars. Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU: or
   - Registering electronically by logging onto www.capitaregistrars.com. Full details of the procedure are given on that website: or
   - In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

   CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. Crest Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service providers(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST members concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

2. In any event, a member's instruction or Form of Proxy must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 12 noon on 18 July 2006 being 48 hours before the Annual General Meeting. Completion and return of a form of proxy will not preclude a member attending and voting in person at the meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 6.00p.m. on 18 July 2006, being not more than 48 hours before the time fixed for the Annual General Meetings. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. The following documents will be available for inspection at the Company's registered office on weekdays during usual business hours (Saturdays and bank holidays excepted) until the date of the annual general meeting and then at the place of the annual general meeting for at least 15 minutes before it begins:

   (a) a register of Directors' interests kept pursuant to section 325 of the Companies Act 1985;

   (b) a copy of the Directors' service contracts; and

   (c) a copy of the Own Share Purchase Contract.

Form of Proxy

Accident Exchange Group Plc *(the "Company")*

Annual General Meeting at 12 noon on Thursday 20 July 2006

[I][we]..
[in block capitals please]

of ....
being (a) holder(s) of ordinary shares of 5 pence each in the above named Company, hereby appoint the chairman of the meeting

or ....

of ....
as [my][our] proxy to attend [and on a poll to vote for [me][us]] on [my][our] behalf at the annual general meeting (the "**AGM**") of the Company to be held on Thursday 20 July 2006 at the offices of DLA Piper Rudnick Gray Cary UK LLP, 3 Noble Street, London EC2V 7EE and at any adjournment or postponement of it.

Please indicate with an X in the space below how you wish your proxy to vote. If no indication is given, your proxy will vote or abstain from voting as he thinks fit:

Ordinary Resolutions	**For**	**Against**
1. To receive and adopt the Directors' Report and financial statements for the year ended 30th April 2006		
2. To receive and adopt the Report on Remuneration		
3. To elect David Galloway as a Director		
4. To elect Graham Stanley as a Director		
5. To re-elect Martin Andrews as a Director		
6. To re-elect David Lees as a Director		
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company		
8. To declare a final dividend of 2 pence per ordinary share to those members whose names appear on the register of members of the Company at close of business on 23 June 2006		
9. That the Directors be and are generally and unconditionally authorised in substitution for all previous powers granted to them, to allot relevant securities within the meaning of Section 80 of the Companies Act 1985 (the "Act")		
Special Resolutions		
10. That the Directors be authorised and empowered pursuant to Section 95 of the Act to allot equity securities for cash as if Section 89(1) of the Act did not apply		
11. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of the Company		
12. That in accordance with the provisions of section 164(2) of the Act, the terms of the proposed contract ("Own Share Purchase Contract") for the purchase by the Company of a total of 12,514,500 deferred shares of 5 pence in the capital of the Company for the aggregate sum of £1 in accordance with article 5.1.3 of the articles of association of the Company be approved and the Company be authorised to enter into the Own Share Purchase Contract and the proposed payment of £1, out of the company's distributable reserves (in accordance with section 160(1)(a) of the Act) be made pursuant to the Own Share Purchase Contract		

Dated .... Signature ....

Notes

1) A member may appoint a proxy of his own choice, who need not be a member of the Company. If such an appointment is made, delete the words "the chairman of the meeting" and insert the name of the person appointed by proxy in the space provided. Please initial any such alteration. Return of a form of a proxy will not preclude a member from attending and voting at the meeting in person should he so decide.
2) If the appointor is a corporation, this form of proxy must be executed under its seal or under the hand of an officer, attorney or other person authorised to sign the same on its behalf. If the appointor is not a corporation, this form of proxy must be executed under the hand of the appointor or of his attorney duly authorised in that behalf.
3) In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
4) This form of proxy has been sent to you by post. It may be returned by either of the following methods: in hard copy form by post or courier or by hand to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by logging onto www.capitaregistrars.com and following the instructions thereon on or in the case of CREST members, by using the CREST electronic proxy appointment service. CREST members should refer to the notice of AGM enclosed with this form of proxy in relation to the submission of a proxy appointment via CREST.

   In each case the proxy appointment must be received by Capita Registrars at their address noted above, not less than 48 hours before the time for the holding of the AGM or any adjourned or postponed meeting together (except in the case of appointments utilising the CREST electronic proxy appointment service) with any power of attorney or other authority under which it is signed or by a notarially certified copy of such power of attorney or authority under which it signed.

Third Fold (Tuck in)

BUSINESS REPLY SERVICE
Licence No. MB 122

1

Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

First Fold

Second Fold

Shareholder Notes

accident
eXchange
group plc

www.accidentexchange.com

accident eXchange
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